



DEPARTMENT OF VETERANS AFFAIRS
Office of Acquisition and Materiel Management
National Acquisition Center
P. O. Box 76
Hines IL 60141

October 16, 2008

In Reply Refer To

GSA Multiple Award Schedule (MAS) Advisory Panel
 General Services Administration
 2011 Crystal Drive
 Suite 911
 Arlington, VA 22205

Re Comments for consideration under the MAS program for services

Dear Distinguished Panel Members,

The mission of this panel is to provide recommendations on what changes to MAS program pricing, policy and procedures, if any, are required or advisable to ensure that the MAS program enables federal customers to award orders that represent "best value" and result in the lowest overall cost alternative. At a minimum it is your focus to address basic issues identified in the Federal Register Notices in the context of commercial items pricing practices as they apply to the acquisition of (1) professional services, (2) products, (3) total solutions which consist of professional services and products, and (4) non professional services.

Beginning in 1994 with the Federal Acquisition Streamlining Act, the landscape of federal procurements has undergone drastic changes. In 2003 the Services Acquisition Reform Act emphasized the use of "performance based statements of work" in service contracts and in 2007 the concept of "time and materials" service contracting was finally recognized as a commercial practice. It is important to recognize that although the basis of federal service contracting has evolved with time, the application of the basic principles of the MAS program have remained unchanged.

The value of the MAS program should not be underestimated. The MAS program provides quality contract sources to the entire federal community enabling them to acquire standard supplies and service in a timely, effective manner in support of the mission of each agency.

It is the responsibility of the MAS contracting offices to determine that prices, terms and conditions are fair and reasonable under the generic parameters of the commercial market while leveraging the buying power of the Federal Government. It is incumbent upon the contracting officer at the task order level to clearly define their specific needs and to select a solution that results in the overall greatest value. The greatest value determination is subjective to the needs of the specific customers, therefore the price reasonableness determination at both levels are essential to meet the statutory objective of the MAS program.

As the Assistant Director of the Department of Veterans Affairs' MAS program for medical services and a warranted contracting officer for over 19 years, I am personally familiar with the challenges in contracting for a variety of supplies and services utilizing various contract types. I agree with many of my esteemed colleagues that the current MAS pricing model may be less than ideal or out of date, however benchmarking of commercial selling prices (i.e. the MFC approach) is far more effective than any alternatives. It is the rigid interpretation and the "one size fits all" application that has proven to be cumbersome and less than effective in today's commercial markets in negotiations of market prices for services.

Market prices for services are generally affected by many factors including but not limited to location, actual costs, and supply and demand. Furthermore, if the statutory requirements of the Service Contract Act (SCA) apply to the labor being acquired, this may result in the contractor incurring additional costs and lead to the establishment of pricing based on the SCA minimum wage rates, not standard market conditions. This further distorts any possible relationship to commercial pricing or MFC that could conceivably be quantified.

These issues clearly demonstrate the need to utilize alternative price analysis techniques under the MAS for services. Many other price analysis techniques including previous government and commercial contract pricing for the same or similar services, competitive published market prices or similar indexes, prices obtained through market research and independent government estimates are viable under these circumstances. These techniques can be used singly or in combination with

each other to ensuring that the final contract price is fair and reasonable. In certain circumstance it may also be appropriate to consider cost and cost realism in evaluation of fully loaded hourly rates.

The traditional price/discount relationship of the MAS program is not effective in monitoring trends in price decreases for market rate services and needs to be replaced with an economic price adjustment (EPA) provision that captures the stability or volatility of each market. Appropriate EPA provisions in conjunction with disclosed changes in actual selling prices will ensure price protection for the government under service contracts result in the ability of the MAS contracting office to determine the appropriate price adjustments. MAS contractors should also be required to update their commercial selling disclosure each time a price adjustment is considered. It may also be necessary to establish the frequency of price adjustments contingent upon the stability of each market.

As a veteran contracting officer, I fully understand the responsibility associated with the power vested in us to make fair and reasonable determinations that are in the best interest of the government. Innovation and creativity within the infrastructure of the federal acquisition regulations needs to be applied to the MAS for services. An approval process should be put in place to ensure consistency, compliance with GSA policy, and oversight of the MAS policy office. We need to allow the specifics of the individual marketplaces to supplement and tailor the general overarching MAS policy as supported by market research.

If you have any questions, please feel free to contact me at (708)786-5223 or at dore.fessler@va.gov. Thank you for the consideration of my comments.

Sincerely,



Dore Fessler

Assistant Director FSS Services
Department of Veterans Affairs
National Acquisition Center
PO Box 76, Building 37
Hines, IL 60141